

STATE OF WASHINGTON



P.O. BOX 40255
OLYMPIA, WA 98504-0255
Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

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BULLETIN No. 96-2

"True and Actual Reason" for Actions

ATTENTION: All Insurers

SUBJECT: "True and Actual Reason" for Actions

There have been a number of complaints from consumers who have not been adequately apprised by an insurer of its reasons for canceling, nonrenewing or refusing to insure them. Because of the possible consequences of such action, WAC 284-30-570 was adopted. The rule states:

Whenever an insurer is required by law to give the reasons for its canceling, denying, or refusing to renew insurance, as, for example, pursuant to RCW 48.18.291, 48.18.293, or 48.30.320, it shall give the true and actual reason for its action in clear and simple language, so that the insured or applicant will not need to resort to additional research to understand the real reason for the action. It is not sufficient, for example, to state that an insured "does not meet the company's underwriting standards." The reason why the individual does not meet such underwriting standards is what must be given. If the actual reason relates to medical information, the insurer may make a broad reference thereto and limit specific disclosure of details to the applicant's or insured's physician.

Our concern is to assure the correctness and accuracy of the information being relied upon. The insured or applicant must be told the specific content of any report on which the insurer relies for its action and the reason it affects the insurability of the risk. This includes, but is not limited to, any reliance on prior claims history, physical examination, Motor Vehicle Reports and credit reports.

For example, it is not sufficient for an insurer to merely state that the reason for nonrenewal is a poor credit report. The insurer must refer clearly to the content of the credit report on which it is relying, and state the reasoning to support the adverse decision, or the specific underwriting criteria that are not being met.

Insurance Commissioner